

SC Jaeder

TO : EIC Secretariat
THRU : Chief, D/I
DATE: 17 August 1955
FROM : Chairman, Subcommittee on Industrial Machinery and Equipment of the EIC
SUBJECT : Annual Review of Activities and Accomplishments

1. The report covers the period from approximately 1 November 1954, the date on which the appointment of the present officers were approved by the EIC, through 30 June 1955.

2. The Activities of the Subcommittee for FY 55

The subcommittee has given its attention to two basic activities:

- a. The evaluation and development of agreed estimates.
- b. The discussion of substantive research published by member agencies of the IAC.

While both activities are important per se, they also are essential first steps for the preparation of a considered statement of priority research deficiencies. It is the present plan to complete the latter statement early in calendar 1956.

3. The Agreed Estimates Program

The subcommittee launched a careful review of economic estimates in December 1955. Its memorandum dated 7 April 1955 to the EIC Secretariat reviewed the work in detail and the conclusions of the group. Estimates for particular commodities within the following commodity group were evaluated both by ad hoc task forces and by the subcommittee as a whole.

1. Machine Tools
2. Motor Vehicles
3. Tractors
4. Anti-friction bearings
5. Heavy Electrical Equipment
6. Agricultural Machinery (excluding tractors)
7. Railroad Equipment
8. Abrasives and Abrasive Grain

~~SECRET~~

The estimates included above represent about 85% of all estimates prepared by IAC agencies in the capital equipment field. Special attention was directed to estimates for the USSR both because this is the most important producing area of the Bloc and because research in this area had been much more intensive. Considering the time of the ad hoc groups and the subcommittee, about 300 man hours were put into this effort.

A detailed evaluation of results will be found in the summary referred to above. Briefly, it was revealed that there are no conflicts in estimates for between 65 and 70% of the commodities reviewed. While some of the differences in the other 30-35% were resolved, a hard core of differences remained. The reasons for these were set forth in the subcommittee's detailed evaluation as follows:

"In most cases differences in estimates can be traced to differences in methodology or in the reliability attached to sources. With respect to the latter, each Agency appears to have developed more or less general guide lines. For instance, the Air Force analysts generally discount published USSR reports; the CIA analysts generally accept them barring some clear evidence to the contrary. Because of this tendency toward an Agency-wide evaluation of source material, the individual analysts found it very difficult to reconcile their differences."

"A review of methodological differences revealed that the Air Force analysts, because of their interest in capacity, placed more emphasis on individual plant studies than did the CIA analyst. However, even when both analysts made extensive use of plant study techniques, differences arose because of differences in objectives."

4. The Discussion of Substantive Papers

During the period the Subcommittee discussed six substantive papers relating to its field of interest. Copies of summaries of the group discussions are attached.

The following papers were considered:

Ferrous Metallurgical Equipment in the USSR (CIA/RR PR 105)
The Role of the Tractor Industry in the USSR, 1940-54 (CIA/RR 37)
Production of Diesel and Oil Engines in the USSR (CIA/RR PR-100)
Production of Agricultural Machinery in the USSR (CIA/RR-48)
The Machine Tool Industry in the USSR (CIA/RR 47)
The Machine Tool Industry of East Germany (CIA/RR PR 87)

~~SECRET~~

- 3 -

In the substantive discussion of the above reports there appeared consistently a general unanimity of opinion regarding the technological development of the equipment, the principal producing centers, distribution and stocks, and the conclusions to be drawn from study of the industry. Variance in estimates of production rates resulted in some instances from differing types of methodological approach to the problem, but frequently reflected normal revisions of estimate owing to the availability of more recent information, or to industry developments in the period since publication of the report.

With similar consistency certain deficiencies in the tools of research are becoming apparent. It was developed that differences exist among the participating agencies in definition of certain basic terms, such as the concept of "capacity" within industries. It is hoped further discussions may assist in bringing about the evolution of a standard terminology covering the basic forms of measure employed in evaluation of industrial development. Meanwhile, the knowledge that such differences of definition exist, and their character, permits more accurate comparison of the evaluations by the various participants of the capabilities of an industry under consideration.

Need appears to exist also for the reporting of statistical data in more than one type of measure, to facilitate more ready use of such material. Value measures should, where practicable, be supplemented by quantitative estimates in other applicable forms, such as numbers of units, or metric tons.

It was generally agreed that inclusion of a reasonably full discussion of the methodological steps is necessary if the statistical data are to be used to serve the requirements of an individual consumer.

5. Programming of Research Priorities

As noted above, the subcommittee has deferred action on priority research deficiencies until the completion of the current review. However, it should be emphasized that the subcommittee is not overlooking this responsibility. Rather it feels that the process of self-education which is inherent in both the Agreed Estimate Program and the Review of Substantive Research is a prerequisite. Deficiencies are brought to light by considering disagreement in estimates and by systematic study of published research.

6. Evaluation of the Role of the Subcommittee

There is no question but that the subcommittee has made a useful contribution to a better understanding of Sino-Soviet Bloc

~~SECRET~~

- 4 -

capital equipment trends. Moreover, by providing a forum for discussion there is a better understanding of the special problems of economic measurement in this field. There is, as a result of the subcommittee's activity, a wider knowledge throughout the Intelligence Community of the material available and its reliability. Analysts working in the same field have been brought together to discuss common problems. The subcommittee members are now much better informed concerning current research activities within the IAC agencies than heretofore and this should serve to reduce even further the duplication of research effort.

All members of the subcommittee have taken this responsibility seriously. Attendance at meetings has been uniformly excellent and participants have been well prepared. While the subcommittee feels that it has a first problem of placing a large quantity of completed research in proper perspective, it views its function as a continuing one of coordination and guidance in research planning.

Carrying through the program of review which the subcommittee outlined for itself has been time consuming. Meetings were scheduled initially for about two and one half hours per week. However, competing demands on members' time soon made it clear that this schedule was too rigorous. Accordingly, the meetings were scheduled for one morning every other week. The schedule was adhered to until 7 July 1955, at which time a recess was voted to 14 September. However, the work load of the members remains the single most important impediment to faster progress. This condition, almost certainly, will not be improved.

7. Future Programs of the Subcommittee

- a. By 1 December 1955 it is planned to complete the review of substantive research.
2. Beginning in December, the subcommittee will prepare a draft of priority research deficiencies in the capital equipment sector. It is hoped to have this completed by the middle or end of February.
3. The subcommittee plans to continue its review of substantive research and to get itself in a position to conduct this review before publication.
4. To the extent that time allows, the subcommittee would like to initiate discussion of a series of substantive research questions. The following are illustrative:

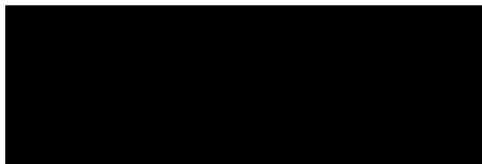
~~SECRET~~

~~SECRET~~

- 5 -

- (a) What are the meanings of the "capacity" concept as they are used in the Intelligence Community? Can a uniform concept be adopted?
- (b) How satisfactory are the various methodological approaches to capital equipment measurement? Which have proved most fruitful for answering what sorts of questions? Are other approaches, not yet tried, worth trying?
- (c) How should new information be integrated into existing reports?
- (d) What mechanisms can be proposed for more efficient integration of capital equipment research in the Intelligence Community?

25X1A9a



ORR/D/I/HLD;jg (18 August 1955)

Distribution:

0 & 15 - Addressee

~~SECRET~~